



BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Public Service Corporation, as a Gas Public Utility, for Authority to Construct Four Natural Gas Lines and Related Facilities in Brown, Calumet, Fond du Lac, Outagamie, and Sheboygan Counties, Wisconsin, for the Purpose of Providing Connections Between a Proposed Expansion of the Guardian Pipeline and Existing Wisconsin Public Service Corporation Natural Gas Distribution Systems in the Plymouth and Sheboygan Areas, the Chilton Area, The Denmark Area and the Green Bay Metropolitan Area

6690-CG-160

FINAL DECISION

This is the Final Decision in the application of Wisconsin Public Service Corporation (WPSC) for authority to construct four natural gas line laterals and associated facilities in Brown, Calumet, Fond du Lac, Outagamie and Sheboygan Counties, for the purpose of connecting its existing natural gas distribution systems in the Chilton, Denmark, Green Bay and Sheboygan areas to a proposed expansion of the Guardian Pipeline LLC (Guardian) system. Additionally, WPSC applied for construction authorization to make modifications to its existing West Green Bay metering station to connect to the new terminus of the pipeline.

The application is APPROVED, subject to conditions.

Background

On October 27, 2006, WPSC, as a natural gas public utility, filed with the Commission an application under Wis. Stat. § 196.49 and Wis. Admin. Code § PSC 133.03. The application seeks authority to construct four natural gas laterals, totaling approximately 58 miles, to connect several of WPSC's existing distribution systems in northeastern Wisconsin to a proposed

expansion of the Guardian interstate pipeline, often referred to as Guardian II, as well as to make modifications to the West Green Bay metering station to connect to the new terminus of the pipeline. Guardian's application to construct a 110-mile expansion of its existing pipeline from the Ixonia area to the Green Bay area is currently being reviewed by the Federal Energy Regulatory Commission (FERC).

WPSC's application was reviewed jointly with a natural gas construction application filed by Wisconsin Gas LLC (WG) in docket 6650-CG-220 and a joint natural gas construction application filed by Wisconsin Electric Power Company (WEPCO) and WG in docket 5-CG-103, seeking authority to also construct laterals to connect portions of their existing distribution systems to the proposed Guardian II expansion.

On November 21, 2006, the Commission issued a Notice of Proceeding and Prehearing Conference in the docket. WPSC is a party to the proceeding. Other parties include ANR Pipeline Company (ANR), Wisconsin End-User Gas and Electric Association, Wisconsin Paper Council, and Kohler Company.

A technical hearing was held on March 15, 2007. Public hearings were held in De Pere and Fond du Lac on March 20 and March 21, 2007. Many potentially affected landowners and utility customers testified at the public hearings and filed written comments.

The Commission considered the WPSC application at its open meeting on May 31, 2007. Commissioner Lauren Azar recused herself from participating in the discussions and decisions regarding this docket.

Findings of Fact

1. There is a need for additional interstate pipeline capacity to serve Wisconsin.
2. There is a need for the proposed facilities and the projects are cost-effective.

3. The WPSC laterals would connect to the proposed Guardian Pipeline expansion to provide an alternate physical path along which natural gas can flow to WPSC's distribution system, thereby improving its ability to meet customer demand for natural gas.

4. The co-existence of the connecting laterals and Guardian II with the existing ANR pipeline system would improve the security and reliability of WPSC's natural gas supplies relative to the levels associated with ANR alone.

5. The connecting laterals and Guardian II would provide a competitive alternative for interstate natural gas transportation.

6. When the proposed projects are placed in operation, the increase in value or available quantity of service will be at least as great as the addition to WPSC's cost of service associated with the proposed projects.

7. The efficiency of the service that WPSC provides will not be diminished by the completion of the proposed projects.

8. The proposed projects will not provide facilities unreasonably in excess of WPSC's probable future requirements.

9. There is a positive net present value associated with the construction of the proposed projects.

10. Upon review, the plans, specifications, and estimated costs of the proposed projects are reasonable.

11. It is reasonable to defer any decision concerning WPSC's ability to recover contract overlap costs until an applicable gas supply plan filing review.

12. It is reasonable to not require a minimum separation between WPSC's proposed gas lines and any adjacent ANR pipelines.

13. If any or all of the connecting laterals are abandoned prior to completion, it is reasonable for WPSC to continue to defer the construction-related costs of the laterals until a final determination concerning recovery in rates in an appropriate rate case docket.

14. Neither energy conservation, renewable resources, or other energy priorities listed in Wis. Stat. §§ 1.12 and 196.025 would be a cost effective alternative to the proposed projects.

15. No significant environmental consequences are associated with the proposed projects.

16. No significant risk of flooding is associated with the proposed projects.

17. The construction of the proposed projects will not affect any historic properties.

Conclusions of Law

1. WPSC is a public utility as defined in Wis. Stat. § 196.01(5)(a) and is required to obtain a certificate of authority for its proposal under Wis. Stat. § 196.49(3) and Wis. Admin. Code § PSC 133.03(1)(h).

2. The Commission has authority under Wis. Stat. §§ 1.11, 29.604, 44.40, 196.02, 196.395, 196.40, and 196.49, and Wis. Admin. Code § PSC 133.03 to issue a certificate of authority and order, with conditions, authorizing WPSC to construct the proposed projects as described in the Discussion section of this Final Decision.

3. The proposed projects are reasonable and appropriate under Wis. Stat. § 196.49.

Discussion

The Applicant and its Projects

WPSC is a natural gas public utility as defined in Wis. Stat. § 196.01(5)(a) and is engaged in the business of selling and distributing natural gas to the public in areas throughout northeastern Wisconsin.

WPSC proposed to construct natural gas line laterals for the purpose of connecting its existing gas distribution system to the proposed expansion and extension of the Guardian Pipeline. Guardian proposed to expand the delivery capacity of its existing interstate pipeline by 437,200 decatherms (Dth) per day¹ with the construction of two new compressor stations along its existing facilities, and to extend its pipeline by constructing 110 miles of new pipeline from Ixonia to Green Bay. The Guardian II project is subject to the approval of FERC and is not the subject of this proceeding.

WPSC's proposed construction includes four high-pressure pipeline laterals, new meter and regulatory stations, as well as modifications to its existing regulatory stations and distribution main (proposed projects). The proposed construction has been separated into five projects – the Chilton Denmark, Sheboygan, and Southwest Green Bay laterals, and the West Green Bay metering station – estimated to cost about \$75 million.

WPSC's proposed Sheboygan lateral would carry natural gas from Guardian's extended pipeline into WPSC's existing gas distribution system in the Plymouth, Kohler, and Sheboygan areas. The proposed Sheboygan project includes construction of about 33 miles of 16-inch, 14-inch, and 12-inch diameter steel natural gas line. The Sheboygan lateral would start in the

¹ A supplemental RFP in March 2005 increased the total requested service quantity to 537,200 Dth per day.

town of Empire, Fond du Lac County. The Sheboygan lateral would then extend eastward for about 23 miles within the existing right-of-way (ROW) of a 345 kV electric transmission line. The proposed gas line then turns to the northeast for about four miles, following alongside an existing gas pipeline owned by ANR. The last segment of this gas line is about six miles long and would be located adjacent to State Highway (STH) 23 and would end near the intersection of STH 23 and Interstate 43. Most of the Sheboygan lateral would be constructed in easements crossing private property.

WPSC's proposed Chilton lateral would carry natural gas from Guardian's extended pipeline into WPSC's existing gas distribution system in the Chilton area of Calumet County. The proposed Chilton project includes construction of about 1.75 miles of 4-inch diameter steel natural gas pipe. The Chilton lateral, located to the west of Chilton, would be constructed in easements crossing private property adjacent to Quinney Road.

WPSC's proposed Denmark lateral would carry natural gas from Guardian's new pipeline into WPSC's existing gas distribution system in the Denmark area of Brown County. The proposed Denmark project includes construction of about 14 miles of 12-inch diameter steel natural gas line. The Denmark lateral would start at a point along Wrightstown Road near the intersection with Old Military Road. Wrightstown Road is on the border between the towns of Wrightstown and Rockland. The lateral would then extend eastward to the village of Denmark. About 1.5 miles of the gas line would be adjacent to Wrightstown and Greenfield Roads. The remainder would be adjacent to an existing natural gas pipeline owned by ANR. The proposed Denmark lateral ends at WPSC's existing regulator station on the north edge of the village of Denmark. The Denmark lateral would be constructed in easements crossing private property.

WPSC's proposed Southwest Green Bay lateral would carry natural gas from Guardian's new pipeline into WPSC's existing gas distribution system in the Green Bay metropolitan area of Brown County. The Southwest Green Bay project includes construction of about 8 miles of 12-inch and 20-inch diameter steel natural gas pipe. The southern 1.5 miles of the new gas line would be constructed on easements crossing private property adjacent to a railroad and an electric transmission line. The remainder of the proposed Southwest Green Bay project would be constructed in the village of Ashwaubenon and the city of De Pere within existing road ROW.

The West Green Bay meter station would connect the new Guardian pipeline with WPSC's existing Green Bay area gas distribution system. This connection is located along County Trunk Highway (CTH) VV in the town of Oneida in the northeastern corner of Outagamie County. WPSC has an existing regulator station on the ANR pipeline at this location. No additional gas transmission line is needed to make the connection to Guardian at this location.

Pursuant to Wis. Stat. § 196.49 and Wis. Admin. Code § PSC 133.03(1)(h), a natural gas utility must obtain a certificate from the Commission authorizing it to construct, install, and place in operation any single gas line project the cost of which exceeds \$600,000 or 4 percent of the utility's gross gas operating revenue received during the previous calendar year, whichever is less.

Need for the Projects

The proposed Guardian II and WPSC's connecting lateral projects are needed to accommodate WPSC's growth in natural gas demand and to enhance the security and reliability

of its natural gas deliveries. The proposed lateral projects will provide pipeline competition where there is none today at a positive net present value.

WPSC has subscribed to 205,245 Dth of the 537,200 Dth per day Guardian II capacity that would be added to Wisconsin. As part of its application in this docket, WPSC submitted an analysis of the need for additional natural gas transportation capacity in the state of Wisconsin. This analysis, based on historical growth, projections of future growth including electric generation use, and other publicly available data concluded that there was a need for additional pipeline capacity. Part of the needs analysis reflects the impact of the original construction of the Guardian Pipeline. That project added 750,000 Dth per day of additional capacity into Wisconsin in 2002. At that time, it was expected that there would be excess capacity into the future; however, that capacity, as well as an additional 200,000 Dth per day added by ANR and Northern Natural Gas Company since the original Guardian Pipeline's construction, is effectively sold out.

This analysis was reviewed by Commission staff and found to be reasonable. No party to this matter has disputed the need for additional capacity and the Commission is persuaded by the record that a need for additional capacity exists.

WPSC's Process Used to Select Guardian II and the Connecting Laterals

WPSC, along with WG, WEPCO, and Wisconsin Power and Light Company (WP&L)² solicited bids for additional capacity and, following a review of the responses, accepted a proposal from Guardian. The criteria of the requested proposals, along with the bid process, are

² WP&L was originally part of the multiple utility group soliciting bids for the capacity. WP&L subsequently withdrew from participation in the bid process.

included in the application in this docket. In addition, WPSC submitted a series of present value analyses comparing the Guardian proposal to other available alternatives. The analyses and bid process were reviewed by Commission staff, who found them to be reasonable. The methods and specific analyses utilized by WPSC are consistent with that which is typically used by Commission staff when evaluating the cost effectiveness of proposed natural gas construction projects. WPSC prepared economic analyses assuming a number of different scenarios. WPSC demonstrated that its proposed projects have a positive financial benefit under the scenarios that used the most reasonable assumptions. The Commission is persuaded by the record that both the process and the selection of Guardian as the successful bidder are reasonable.

The Guardian proposal was structured in such a way as to separate the Guardian II project from construction of the laterals necessary to connect to the utility distribution systems and to require WEPCO, WG, and WPSC (the Utilities) to construct and own the connecting laterals that are the subject of this proceeding, and dockets 5-CG-103 and 6650-CG-220.

Sometime after the Utilities completed the bid process and Guardian II was selected as the best alternative over ANR and the other bidders, ANR submitted unsolicited proposals to each of the Utilities, which would provide an alternative to the construction of the proposed connecting laterals. In lieu of the laterals, ANR proposed to provide short haul transportation service from an interconnection with Guardian II to existing points of interconnection between ANR and the Utilities' distribution systems. Under this proposal, ANR's transportation would be between each utility's distribution system and Guardian, and would substitute for the Utilities constructing, owning and operating the connecting laterals. ANR presented its analysis indicating that this would be a less expensive alternative than the Utilities' proposed construction and would cause less environmental disruption. WPSC presented its own analysis of ANR's

short haul proposal using various assumptions, and these analyses demonstrate that utility construction and ownership of the connecting laterals is more cost effective than contracting with ANR for short haul transportation.

ANR also criticized the WPSC analysis showing Guardian to be the most economical alternative on the grounds that it ignored or understated certain costs and unfairly allocated costs of the laterals to transportation customers.

Commission staff reviewed competing cost analyses that are part of the record, including the cost assumptions and the allocation issue. Commission staff's review of ANR's short haul proposal found that it contained a number of unreasonable assumptions and it was not a viable alternative. Commission staff testified that the WPSC analyses are reasonable, and that its allocation method is both reasonable and consistent with past Commission ratemaking practice. The Wisconsin Paper Council, whose members are mainly gas transporters and would be allocated costs associated with the laterals under WPSC's proposed method, testified that they were aware of the potential costs to them of the lateral projects, and are nonetheless in favor of the WPSC proposed construction projects.

The Commission is satisfied that the record demonstrates that the WPSC proposal is cost effective and reasonable. The Commission is not persuaded that ANR's analysis is realistic.

Other Benefits

In addition to the economic analyses performed to support its decision to contract with Guardian for the additional pipeline capacity, WPSC considered a number of other benefits that arise from the selection of Guardian II and the connecting laterals. These benefits apply not only

to the system sales customers of WPSC and the other Utilities, but also to transportation customers in Wisconsin that are responsible for their own gas and transportation procurement.

Because WPSC and its customers rely on the transmission of its natural gas supplies from a single service provider, ANR, WPSC argued that the new interstate pipeline would improve the reliability and security of gas deliveries to its distribution system. ANR countered that WPSC did not demonstrate that ANR's system used to serve WPSC is not sufficiently reliable or that any enhanced reliability that may result from the redundant capacity could justify its cost. The record in this proceeding supports WPSC's contention that Guardian II along with the connecting laterals proposed by WPSC would likely result in improved reliability and security of gas transmission in eastern and northeastern Wisconsin, at a reasonable cost.

WPSC also contended that Guardian II would improve its ability to serve future load growth in a timely manner and at competitive rates. The record shows that Guardian and the proposed connecting laterals are designed to accommodate low cost future expansions through the installation of one or more mid-line compressor stations which would allow for significant market expansion to be served without the need to install additional mainline pipeline facilities north of Ixonia.

WPSC points out that the rates available from Guardian II may well be a one-time opportunity due to a number of factors. First, the existing Guardian pipeline system has the ability for extremely low cost expansion between Joliet, Illinois and Ixonia, Wisconsin, primarily with the addition of compression and no costly looping of pipeline facilities. If the Utilities did not take advantage of this low cost pipeline capacity with Guardian II, Guardian may eventually sell the incremental capacity to other markets in northern Illinois or southeastern Wisconsin. Next, the joint participation of the Utilities resulted in economies of scale and reduction of unit

costs that was only possible with the aggregate of the volumes being acquired by all three utilities. It is not clear that this joint participation would be possible in the future.

Contract Overlap Costs

It is anticipated that Guardian II and the connecting laterals will be available on November 1, 2008. However, there is no guarantee that Guardian II or the connecting laterals will be available on that date. In this situation, it is not unusual for gas utilities to incur gas transportation capacity contract overlap costs. WPSC requested Commission approval for the cost recovery of contract overlap costs that may arise due to Guardian II and the proposed connecting laterals.

The record shows that WPSC has taken steps to minimize contract overlap costs associated with Guardian II. Such issues, though, are typically reviewed in a comprehensive manner in the context of a utility's annual gas supply plan. It is reasonable for WPSC to continue managing these costs to minimize any ratepayer impacts, and to defer any decision concerning WPSC's recovery of contract overlap costs until an applicable gas supply plan filing review.

Construction Cost Deferral

If the Commission approves WPSC's application in this docket, WPSC expects that any approval will be conditioned on the FERC's approval of Guardian II. In order for WPSC to meet its construction schedule for the connecting laterals to the Guardian expansion, it will need to incur costs prior to FERC's anticipated approval. Therefore, WPSC requests a Commission determination that it is reasonable for WPSC to incur pre-certification and pre-construction costs

prior to FERC approval of Guardian II. WPSC also requests the Commission provide certainty of recovery of those costs in the event FERC does not authorize the Guardian expansion.

If any or all of the connecting laterals are abandoned prior to completion, as soon as it was determined that the project should be stopped, the Uniform System of Accounts for Private Natural Gas Utilities requires WPSC to close out the work orders or essentially write-off the pre-certification, pre-construction, and construction costs for the abandoned lateral. In order for WPSC to have an opportunity to recover any of these costs, Commission authorization is needed to continue their deferral.

It is reasonable for WPSC to continue to defer these construction-related costs until a final determination concerning recovery in rates in an appropriate rate case docket.

Alternatives

To increase natural gas transportation capacity, there is no viable alternative to the proposed project. It is unlikely that renewable resources, other forms of generation or additional energy conservation would be a cost-effective alternative. No special circumstances exist that would lead a decision-maker to conclude that additional conservation activities, renewable resources, or any other energy priorities listed in Wis. Stat. §§ 1.12 and 196.025 would be a reasonable alternative to this project.

Routing and Construction

Prior to the filing of the application, a great deal of work was done to develop potential routes for the gas lines. WPSC worked with Commission and Department of Natural Resources (DNR) staff to develop proposed routes by evaluating important factors including environmental impacts, landowner impacts, engineering, and safety. Existing corridors, such as transmission

lines and roadways, were followed for considerable portions of the routes. The availability of many existing corridors aided in narrowing down the route alternatives to one proposed route for each of the WPSC laterals. WPSC has worked with and continues to work with potentially affected landowners to minimize any adverse impacts. A landowner along the Sheboygan lateral has proposed significant changes in the proposed route, which is further discussed below.

The project application included numerous proposed construction methods and environmental mitigation practices. Some of these were updated or added to during the project review and hearing process. The reviews and evaluations of the proposed projects assumed these methods and practices would be followed. It is reasonable to require that all construction and environmental mitigation methods included in the project application, as modified during the project review and hearing process, be followed when constructing the proposed projects, unless specifically modified by this Final Decision or related DNR permits. Also, it is reasonable to require that the projects be constructed in accordance with all applicable state and federal pipeline safety provisions, including Wis. Admin. Code ch. PSC 135 and 49 CFR Parts 192 and 199.

Route on Kohler Company Properties – Sheboygan Lateral

In its application, WPSC proposed to install the easternmost portion of its Sheboygan lateral along STH 23. The portion of the Sheboygan lateral from Range Line Road to its eastern end at Erie Avenue was proposed to be adjacent to STH 23 on private property. The landowner on this portion of the route, the Kohler Company (Kohler), objects to this route. Kohler proposes that the gas line be routed within the highway ROW, specifically the south side of the highway ROW, which is used for recreation and includes a paved bike path. Kohler testified that the

Docket 6690-CG-160

route as initially proposed by WPSC would interfere with its land use plan for the property.

Although Kohler objects to the gas line being placed on Kohler property adjacent to STH 23 citing reasons of planned land use, nothing in the record indicates that the lateral could not be built along the originally proposed route.

Comments submitted in docket 6690-CG-160 by the Wisconsin Department of Transportation (DOT) indicate that the placement of the lateral within this particular ROW is not consistent with its current accommodation policy for freeways, but could be permitted in special or hardship situations. Commission staff testified that it would prefer the lateral be built adjacent to the highway on private easement, as originally proposed by WG, to limit the exposure to third party damage. The lateral would be in a ROW that is shared with other underground utilities, and there is a slightly higher chance of third party damage to the gas line as a result.

WPSC testified that it is willing to modify the route consistent with Kohler's request if the DOT and the Federal Highway Administration (FHA) would approve the use of the highway ROW.

The Commission determines that, in order to reduce restrictions on development of the adjacent property, it is reasonable to require WPSC to construct this portion of the Sheboygan lateral within that portion of the STH 23 ROW used for the recreational trail, if the DOT and the FHA approve this use of the ROW.

Archeological and Historical Resources

WPSC was informed by landowners along the route of a potential non-recorded archeological site in the vicinity of Mullet Lake along the route of the proposed Sheboygan lateral. WPSC had a Phase I archaeological survey done in the area noted by the landowners as

containing Native American artifacts. The Phase I surveys confirmed the potential for undisturbed archeological resources to exist in the area. WPSC has proposed that further Phase I/Phase II evaluation plans for the area be done prior to construction. WPSC has committed to either further modify the route of the Sheboygan lateral in this area to avoid the archeological site based on this further survey work, or, if avoidance is not possible, to develop a recovery plan for the gas line trench area that impacts the archeological site. To ensure compliance with Wis. Stat. § 44.40, WPSC shall have a qualified archeologist perform the additional survey work proposed by WPSC prior to installation of the Sheboygan lateral.

No other known archeological or other historic resources were identified in Wisconsin Historical Society records that appear to be at risk from construction of any of the proposed WPSC laterals.

Timing Restrictions Related to Rare Birds – Sheboygan Lateral

DNR staff testified that construction of the proposed Sheboygan lateral might affect rare bird species nesting near the ROW in the Kettle Moraine area. On state forest lands, there are existing bird-related timing restrictions that would apply to pipeline construction. DNR staff recommended extending these restrictions from July 31 to August 31 to adequately protect the rare birds. WPSC noted it would continue to work with DNR on options to reduce or eliminate construction timing restrictions where possible. WPSC recommends that the Commission not require extending the construction restriction period beyond July 31, as the extended restriction period could increase costs and could result in project delays. The Commission will not require construction restrictions in this area beyond those that would already be required because of construction in state forest land.

Construction Practices Related to Oak Wilt

The construction of the proposed laterals would require cutting and trimming of trees, including oaks. Oak trees are susceptible to a fungal disease known as oak wilt. The cutting and trimming of oak trees can contribute to the spread of the disease. A variety of tree cutting and trimming practices have been developed to help reduce the spread of oak wilt. DNR recommended that the applicants be required to follow a set of oak wilt management practices described on DNR's website. A WEPCO/WG witness responded that the oak wilt management practices contained in Wis. Admin. Code § PSC 113.0511, which were developed for electric utility tree clearing and pruning activities, would be more appropriate than the general guidelines published on DNR's website. DNR staff noted that the Wis. Admin. Code § PSC 113.0511 requirements for electric utilities are similar to the DNR's website guidelines for work in urban areas, but are less restrictive for work in rural areas (requiring protection of exposed tree surfaces rather than limiting cutting or trimming at certain times of the year). The principal concern expressed by utilities is the greater potential for project delays in rural areas if the website guidelines were followed due to the periods of restricted cutting or trimming. The Commission noted that it previously established for electric utilities the practices contained in Wis. Admin. Code § PSC 113.0511 and that it is reasonable to require WPSC to follow these oak wilt management practices during construction of the proposed lateral pipelines.

Pipe Size Flexibility

WPSC requests the ability to change pipe diameter from that proposed in its application by one standard pipe size without requiring further Commission approval, if the more detailed or

updated information used in final project design supports the increased size. The Commission finds this to be reasonable.

Route Flexibility

The WPSC application provided detailed graphical representations showing the locations for the proposed gas lines. The evaluation of the projects was based on these described centerlines. It is reasonable to provide WPSC some level of flexibility to make minor changes to the routes as depicted in the applications, either to accommodate landowner requests or to resolve a construction difficulty that may not yet be identified. WPSC, WEPCO/WG, and Commission staff all described possible route flexibility approaches in testimony. The slightly different approaches had similar basic components. The Commission will allow a route flexibility provision that includes the following:

- 1) Allow route changes up to 100 feet from the proposed route if no new landowners are affected and no sensitive resources are impacted.
- 2) Allow changes of more than 100 feet if no new landowners are affected, affected landowners grant written approval of the change, and no sensitive resources are affected.
- 3) Any other changes would require Commission-delegated approval by the Administrator of the Gas and Energy Division.

Separation From ANR Pipeline

ANR expressed concerns that, in areas where a WPSC lateral would parallel the ANR pipeline, there may be interference with ANR's ability to maintain or expand its pipeline. ANR requested a minimum 50-foot separation from the WPSC gas lines. WPSC proposed a minimum

separation of 37.5 feet. The Commission determines that it will not require a minimum separation between WPSC's proposed laterals and any adjacent ANR pipelines.

Environmental Assessment

The proposed project has been reviewed by the Commission for environmental impact. The construction of the proposed facilities would not have any undue adverse impacts on human or natural environments. This is a Type II action under Wis. Admin. Code § PSC 4.10(2). An environmental assessment was prepared to determine if the preparation of an environmental impact statement is necessary under Wis. Stat. § 1.11. The environmental assessment also considered the related laterals off the Guardian expansion proposed by WG and WEPCO in dockets 6650-CG-220 and 5-CG-103. The Commission has determined that no significant environmental impacts are likely. Therefore, an environmental impact statement is not required.

The proposed projects were reviewed for potential flood hazard exposure per Executive Order 73 (1985). As no flood-sensitive facilities are to be located in or near any designated floodplain or flood prone areas, there is no significant flood risk to the proposed projects.

The construction of the proposed projects are not expected to affect any historic properties under Wis. Stat. § 44.40 if the Mullet Lake work previously described is carried out.

The proposed projects are needed to provide adequate and reliable service to present and future natural gas customers.

Nothing in this Final Decision authorizes WPSC to waive filed extension rules; to purchase additional transportation capacity, balancing, storage, or other pipeline services; or to obtain Purchased Gas Adjustment (PGA) recovery of the costs of additional natural gas supply.

In order to allow WPSC to efficiently schedule pre-construction activities, it is reasonable for this Final Decision to be effective on the date of mailing.

Certificate

WPSC, as a gas public utility, may construct facilities in the Brown, Calumet, Fond du Lac, Outagamie and Sheboygan Counties, for the purpose of connecting its existing natural gas distribution systems in the Chilton, Denmark, Green Bay and Sheboygan areas to a proposed expansion of the Guardian Pipeline, and modify its existing West Green Bay metering station to connect to the new terminus of the pipeline, as described in the Discussion section of this Final Decision. The Commission grants WPSC a certificate and authorizes WPSC to proceed with the proposed projects, subject to the conditions in this Final Decision.

Order

1. WPSC may construct the proposed facilities in Brown, Calumet, Fond du Lac, Outagamie and Sheboygan Counties, as described in its application and the Discussion section of this Final Decision (approved projects) and is granted a Certificate of Authority for the approved project subject to the conditions of this Final Decision.

2. WPSC may not proceed with construction of the approved projects if Guardian does not proceed with its related expansion project.

3. WPSC shall implement all construction and environmental mitigation methods included in the project application, as modified during the project review and hearing process, when constructing the approved projects, unless specifically modified by this Final Decision or related DNR permits. WPSC shall also construct the approved projects in accordance with all

applicable state and federal pipeline safety provisions, including Wis. Admin. Code ch. PSC 135 and 49 CFR Parts 192 and 199.

4. WPSC shall construct the section of the Sheboygan lateral from Range Line Road to its eastern end at Erie Avenue within that portion of the STH 23 ROW used for the recreational trail, if the DOT and the Federal Highway Administration approve this use of the ROW.

5. WPSC shall continue to work with affected landowners to minimize landowners' impacts, subject to engineering, environmental, and economic constraints.

6. WPSC shall have a qualified archeologist perform the additional survey work proposed by WPSC prior to installation of the pipeline in the vicinity of the archeological site near Mullet Lake along the Sheboygan lateral route.

7. WPSC shall implement, during construction of the approved projects, oak wilt management practices equivalent to those required in Wis. Admin. Code § PSC 113.0511 for electric utility ROW work.

8. WPSC may change pipe diameter from that proposed in its application by one standard pipe size without requiring further Commission approval, if the more detailed or updated information used in final project design supports the increased size.

9. WPSC may, without further Commission approval, move the location of the pipeline up to 100 feet from the approved centerline if no new landowners are affected and no sensitive resources are impacted. WPSC may, without further Commission approvals, move the location of the pipeline more than 100 feet from the proposed centerline if no new landowners are affected, the affected landowners grant written approval of the change, and no sensitive

resources are affected. WPSC shall request and receive from the Gas and Energy Division Administrator written approval consistent with this Final Decision for all other route variations.

10. WPSC shall notify and obtain approval from the Commission before proceeding with any substantial change in the design, size, cost, or location of the approved project.

11. This Final Decision shall be effective on the date of mailing.

12. WPSC shall notify the Commission within five working days of the date actual, on-site, physical construction of the approved project is started; shall submit progress reports at 30 day intervals thereafter until the work is completed; and shall also notify the Commission within 20 working days after the approved facilities are placed in service.

13. WPSC shall file a report with the Commission promptly upon completion of construction of the approved project. The report shall include the final costs for each lateral line of the approved project segregated by plant account, a table comparing the estimated and actual costs for each of the major components, a table comparing the estimated and actual footage and the actual cost for each type and size of pipe installed, and an explanation of any significant variation between the authorized and actual cost.

14. If WPSC does not begin on-site physical construction within one year from the effective date of this Final Decision, the certificate authorizing the approved project shall become void unless WPSC files a written request for an extension of time with the Commission before the date on which the certificate becomes void and an extension of time is granted by the Commission.

15. If WPSC has not begun on-site physical construction and has not filed a written request for an extension before the date the certificate becomes void, WPSC shall inform the

Docket 6690-CG-160

Commission of those facts in writing within 20 working days after the date on which the certificate becomes void for the approved project.

16. If any or all of the approved laterals are abandoned prior to completion, WPSC may defer construction-related costs of the laterals until a final determination concerning recovery in rates can be made in an appropriate rate case docket.

17. Jurisdiction is retained.

Dated at Madison, Wisconsin, June 15, 2007

By the Commission:



Sandra J. Paske
Secretary to the Commission

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See attached Notice of Appeal Rights

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98